

Indiana Health and Educational Facility Financing Authority

Accountants' Report and Financial Statements

June 30, 2005 and 2004

Indiana Health and Educational Facility Financing Authority

June 30, 2005 and 2004

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Independent Accountants' Report on Financial Statements and Supplementary Information

To the Members of
Indiana Health and Educational Facility Financing Authority
Indianapolis, Indiana

We have audited the accompanying basic financial statements of Indiana Health and Educational Facility Financing Authority (Authority) as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Health and Educational Facility Financing Authority as of June 30, 2005 and 2004, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2005, the Authority changed its method of accounting for and disclosure of conduit debt obligations.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

May 4, 2006

Indiana Health and Educational Facility Financing Authority

Management's Discussion and Analysis

June 30, 2005

Background of the Authority

The following discussion and analysis present management's discussion of the financial position, results of operations and cash of the Indiana Health and Educational Facility Financing Authority (the "Authority") during the fiscal year ended June 30, 2005. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This analysis should be read in conjunction with the Independent Accountants' Report, financial statements, and accompanying notes.

The Authority was created in 1983 pursuant to the provisions of Indiana Code 5-1-16 (the "Act") and is organized and existing under and by virtue of the Act as a public body politic and corporate, not an agency of the State of Indiana, but an independent public instrumentality exercising essential public functions. Under the Act, the Authority is authorized to make loans to participating providers (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for costs related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation or housing of "health facility property" (as defined in the Act). The Authority's bonds, with the exception of the 1985A issue, are payable solely out of loan payments from borrowers. The bonds are not a debt, liability or moral obligation of the State of Indiana. The Authority has no taxing power. The Act provides that the Authority consists of seven members appointed by the Governor of the State of Indiana. The members of the Authority appoint an executive director, who serves as an ex officio secretary of the Authority, administers, manages and directs the employees of the Authority (under the direction of the members of the Authority), approves all accounts and expenses and performs other additional duties as directed by the members of the Authority.

During the year ended June 30, 2005, the Authority changed the method of accounting for conduit debt related to Governmental Accounting Standards Board (GASB) Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Authority has disclosed conduit debt in the notes to the financial statements only. The conduit debt and related loans receivable were previously recorded as an asset and a liability on the statement of net assets. This change in accounting principle had no effect on the net assets of the Authority.

Financial Highlights

Statements of Net Assets

A summarized comparison of the Authority's assets, liabilities and net assets at June 30, 2005, 2004 and 2003 follows:

	2005	2004	2003
Total current assets	\$ 11,599,893	\$ 176,064,068	\$ 164,371,930
Total noncurrent assets	<u>87,964,894</u>	<u>4,773,585,323</u>	<u>4,293,664,302</u>
Total assets	<u>\$ 99,564,787</u>	<u>\$ 4,949,649,391</u>	<u>\$ 4,458,036,232</u>
Total current liabilities	\$ 98,284	\$ 91,257	\$ 39,805
Total current liabilities payable from restricted assets	171,110	165,904,848	152,890,973
Long-term maturities of debt	<u>92,400,000</u>	<u>4,776,000,511</u>	<u>4,297,670,441</u>
Total liabilities	92,669,394	4,941,996,616	4,450,601,219
Total net assets	<u>6,895,393</u>	<u>7,652,775</u>	<u>7,435,013</u>
Total liabilities and net assets	<u>\$ 99,564,787</u>	<u>\$ 4,949,649,391</u>	<u>\$ 4,458,036,232</u>

The net assets of the Authority (the excess of its assets over its liabilities) at June 30, 2005 and 2004 were approximately \$6.9 million and \$7.7 million, respectively. Of these amounts, just under \$1 million is restricted for debt service and the remaining balances are unrestricted.

Total assets at June 30, 2005, decreased approximately \$4.9 billion during fiscal year 2005. This decrease is primarily the result of the change in the accounting for conduit debt as previously discussed. Total assets at June 30, 2004, increased \$491.6 million. This increase is primarily the result of the Authority granting \$680.8 million of new loans, offset by \$193.7 million of principal payments on loans.

Total current liabilities payable from restricted assets and long-term maturities of debt at June 30, 2005 decreased \$165.7 million and \$4.7 billion, respectively. This decrease is primarily the result of the change in the recording of conduit debt. Total current liabilities payable from restricted assets and long-term maturities of debt at June 30, 2004 increased \$13.0 million and \$478.3 million, respectively. These increases are the result of the Authority issuing \$667.1 million of debt during 2004, which is offset by \$174.0 million of principal payments on debt.

Total net assets of the Authority at June 30, 2005, decreased by \$757,000 (9.9%) from fiscal year 2004 and increased \$218,000 (2.9%) from fiscal year 2003.

Statements of Revenues, Expenses and Changes in Net Assets

A summarized comparison of the Authority's operating revenues, operating expenses and nonoperating revenues for the years ended June 30, 2005, 2004 and 2003 follows:

	2005	2004	2003
Operating revenues	\$ 2,576,457	\$ 128,101,599	\$ 130,555,432
Operating expenses	<u>3,391,437</u>	<u>127,937,493</u>	<u>130,443,739</u>
Operating income (loss)	(814,980)	164,106	111,693
Nonoperating revenues	<u>57,598</u>	<u>53,656</u>	<u>38,636</u>
Change in net assets	<u>\$ (757,382)</u>	<u>\$ 217,762</u>	<u>\$ 150,329</u>

The total operating revenues for the year ended June 30, 2005 were approximately \$2.6 million, which includes interest on loans of \$1.1 million, investment income of \$1.3 million, administrative fees of \$89,000, and other miscellaneous income of \$113,000. The total operating revenues for the year ended June 30, 2004, were approximately \$128.1 million, which includes interest on loans of \$126.2 million, investment income of \$1.2 million, administrative fees of \$498,000, and other miscellaneous income of \$229,000.

Total operating revenues for the year ended June 30, 2005 decreased \$125.5 million, primarily due to the change in accounting for conduit debt. Also contributing to the decrease is an increase in interest rates on the loans and investment income offset by a decrease in administration fees.

Total operating expenses for the year ended June 30, 2005 were approximately \$3.4 million, of which \$1.6 million consists of interest paid to bondholders. Total operating expenses for the year ended June 30, 2004, were approximately \$127.9 million, of which \$126.3 million consists of interest paid to bondholders.

Total operating expenses for the year ended June 30, 2005 decreased \$124.5 million, primarily the result of the change in accounting for conduit debt offset. Total operating expenses for the year ended June 30, 2004 decreased \$2.5 million, primarily the result of a \$2.7 million decrease in interest expense.

Debt Administration

The Authority granted \$728,540,000 in designated-issue loans to health facilities during fiscal year 2005. Fiscal year 2005 ranks as one of the top five in the Authority's 20 year history. The total amount of conduit debt outstanding for fiscal year 2005 was approximately \$5.4 billion, an increase of approximately \$600 million over fiscal year 2004.

During fiscal year 2004, the Authority instituted a new loan program called the Direct Purchase Bond Program, which is designed to assist borrowers with relatively small loans ranging in size from \$500,000 to \$5,000,000. The bonds under this program are purchased directly by a bank of the borrower's choosing, at rates negotiated by the borrower and the bank. During fiscal year 2005, the Authority completed three transactions under this new program totaling \$2,640,000.

Operating Analysis

The Authority's operations consist of issuing conduit debt for health care providers.

The Authority charges administrative fees for its services. In fiscal year 2005, administrative fees collected were \$416,000. The revenue from the administrative fees is used to pay for the day-to-day operations of the Authority.

Nonoperating Activities

The only nonoperating revenue shown on the Authority's financial statements is interest income earned on the investments held as part of the Authority's General Fund. These are investments which are not restricted as part of its bond issuance activities.

Economic Factors and Next Year's Activities

It is anticipated that Indiana health care providers will continue to experience capital needs for which the Authority can provide financing. If interest rates remain low, many borrowers may choose to take advantage of the favorable market conditions and finance their capital needs sooner rather than later. In addition, some borrowers may want to refinance their higher interest rate debt. Based on current economic factors, the Authority expects to experience a steady flow of conduit debt activity into the next fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report should be addressed to the Indiana Health and Educational Facility Financing Authority, One North Capitol, Suite 900, Indianapolis, Indiana 46204.

Indiana Health and Educational Facility Financing Authority

Statements of Net Assets June 30, 2005 and 2004

Assets

	2005	2004
Current Assets		
Cash and cash equivalents	\$ 218,636	\$ 313,956
Accrued administration fees	217,069	543,745
Restricted assets - current		
Cash equivalents	—	19,280,924
Accrued interest receivable	19,042	17,674,965
Loans receivable	10,894,777	138,000,109
Prepaid expenses	250,369	250,369
Total current assets	<u>11,599,893</u>	<u>176,064,068</u>
Noncurrent Assets		
Investments	5,624,532	5,850,534
Capital assets, net	17,751	12,612
Restricted assets - noncurrent		
Investments	56,345,741	57,731,528
Loans receivable	25,976,870	4,709,990,649
Total noncurrent assets	<u>87,964,894</u>	<u>4,773,585,323</u>
Total assets	<u>\$ 99,564,787</u>	<u>\$ 4,949,649,391</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 98,284	\$ 91,257
Current Liabilities Payable From Restricted Assets		
Accrued interest payable	171,110	28,417,882
Current maturities of debt	—	137,486,966
Total current liabilities payable from restricted assets	<u>171,110</u>	<u>165,904,848</u>
Long-Term Maturities of Debt	<u>92,400,000</u>	<u>4,776,000,511</u>
Total liabilities	<u>92,669,394</u>	<u>4,941,996,616</u>
Net Assets		
Invested in capital assets	17,751	12,612
Restricted expendable for debt service	855,826	995,050
Unrestricted	6,021,816	6,645,113
Total net assets	<u>6,895,393</u>	<u>7,652,775</u>
Total liabilities and net assets	<u>\$ 99,564,787</u>	<u>\$ 4,949,649,391</u>

Indiana Health and Educational Facility Financing Authority

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2005 and 2004

	2005	2004
Operating Revenues		
Interest on loans	\$ 1,098,006	\$ 126,215,019
Investment income	1,276,951	1,159,614
Administration fees	88,880	498,105
Miscellaneous income	<u>112,620</u>	<u>228,861</u>
Total operating revenues	<u>2,576,457</u>	<u>128,101,599</u>
Operating Expenses		
Wages	156,008	159,068
Severance pay	320,000	—
Payroll taxes and fringe benefits	56,395	45,629
Interest	1,639,437	126,345,591
Bond insurance	508,000	508,000
Bond and investment administration	366,939	372,640
Legal fees	125,068	251,760
Accounting and auditing fees	33,541	35,609
Consulting fees	7,000	7,105
Education and conferences	26,622	32,394
Office administration and supplies	85,326	76,950
Rent	59,332	83,988
Professional dues	2,062	2,200
Depreciation	<u>5,707</u>	<u>16,559</u>
Total operating expenses	<u>3,391,437</u>	<u>127,937,493</u>
Operating Income (Loss)	(814,980)	164,106
Nonoperating Revenues		
Investment income	<u>57,598</u>	<u>53,656</u>
Change in Net Assets	(757,382)	217,762
Net Assets, Beginning of Year	<u>7,652,775</u>	<u>7,435,013</u>
Net Assets, End of Year	\$ <u>6,895,393</u>	\$ <u>7,652,775</u>

Indiana Health and Educational Facility Financing Authority

Statements of Cash Flows

Years Ended June 30, 2005 and 2004

	2005	2004
Operating Activities		
Investment interest received	\$ 1,276,951	\$ 1,159,614
Loans disbursed to health facilities	(16,460,228)	(680,835,817)
Principal repayments on loans	15,080,717	193,743,730
Loan interest received	1,104,177	126,816,938
Other receipts for operating activities	528,176	656,287
Other cash paid for operating activities	(1,734,048)	(1,583,754)
Net cash used in operating activities	(204,255)	(360,043,002)
Investing Activities		
Investment interest received	57,598	53,656
Net change in investment securities	1,611,789	(9,533,884)
Net cash provided by (used in) investing activities	1,669,387	(9,480,228)
Financing Activities		
Proceeds from issuance of debt	—	667,115,487
Principal payments on debt	—	(173,985,049)
Interest paid on debt	(1,544,388)	(128,072,221)
Purchases of capital assets	(16,064)	—
Net cash provided by (used in) financing activities	(1,560,452)	365,058,217
Decrease in Cash and Cash Equivalents	(95,320)	(4,465,013)
Cash and Cash Equivalents, Beginning of Year	313,956	24,059,893
Cash and Cash Equivalents, End of Year	\$ 218,636	\$ 19,594,880
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating Income (Loss)	\$ (814,980)	\$ 164,106
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Depreciation	5,707	16,559
Interest paid on bonds/notes	1,544,388	128,072,221
Changes in certain assets and liabilities		
Accrued interest receivable	6,171	601,919
Accrued administration fees	326,676	(70,679)
Loans receivable	(1,379,511)	(487,092,087)
Accounts payable and other accrued expenses	12,245	(8,411)
Accrued interest payable	95,049	(1,726,630)
Net Cash Used in Operating Activities	\$ (204,255)	\$ (360,043,002)

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Indiana Health and Educational Facility Financing Authority (Authority), established by the 1983 Indiana General Assembly, provides financing for capital expenditures and refinancing of outstanding indebtedness for Indiana health care organizations. The Authority's bonds and notes are payable solely out of loan or lease payments from the health care organizations and the interest paid on the bonds is usually excludable from gross income for federal tax purposes, resulting in materially lower financing costs to the borrowing organizations.

The Authority has developed a number of programs to meet the divergent financial needs of Indiana health care organizations. The Authority's programs consist of tax-exempt financing for hospitals, nursing homes, blood banks, foundations, community mental health and rehabilitation facilities. Loans are granted for construction projects, equipment, remodeling, acquisitions, refinancing and, where applicable, reimbursement of prior expenditures.

The Authority has eight loan pools outstanding at June 30, 2005. Also, the Authority has assisted various health facilities in issuing designated revenue bonds and notes, the proceeds of which were used specifically by the issuing health facility.

Subsequent to year end, the Authority was reconstituted pursuant to amendments made to Indiana Code 4-4-11 *et seq* pursuant to Public Law 235-2005 as enacted by the Indiana General Assembly in 2005 (PL 235). Pursuant to PL 235, the Authority became consolidated with Indiana Educational Facility Authority. In addition, pursuant to PL 235, the Authority also became the successor to Indiana Educational Facility Authority programs. The financial statements reflect the legal and entity structure as in effect prior to the effective date of PL 235. The new entity structure, named Indiana Health and Educational Facility Financing Authority, took effect July 1, 2005.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity

The definition of the reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 14 is based primarily on the concept of financial accountability. Although the Governor of Indiana appoints all of the seven members of the Authority's governing body, neither of the other two tests of financial accountability are met. The State of Indiana is unable to impose its will on the Authority. Also, the Authority does not impose a financial burden or provide a financial benefit to the State of Indiana.

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements June 30, 2005 and 2004

Measurement Focus and Basis of Accounting

The Authority is accounted for as an enterprise fund. Assets, liabilities, revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist primarily of money market funds.

Investments

Investments are generally stated at fair value. Money market investments and U. S. Government agency obligations are carried at amortized cost because their remaining maturity at the time of purchase is one year or less. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net assets.

Provision for Loan Losses

No provision for loan losses has been made because the Authority functions as a conduit for debt financing and neither the Authority nor the State of Indiana accepts responsibility for the repayment of the obligations.

Capital Assets

Outlays for capital assets and items which substantially increase the useful lives of existing capital assets are capitalized at cost. The Authority provides for depreciation on the straight-line method at rates designed to depreciate the costs of capital assets over their estimated useful lives, which range from five to ten years.

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Revenue and Expense Recognition

The Authority records all revenues derived from its designated-issue and 1985A bond programs as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its statutory purpose. Investment income earned from the Authority's General Fund investments is recorded as nonoperating revenue, while all other investment income is recorded as operating.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Changes in Accounting Principle

During the year ended June 30, 2005, the Authority changed its method of accounting for conduit debt pursuant to GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Authority has presented conduit debt in footnote disclosure only. The conduit debt and related loans receivable were previously recorded as an asset and a liability on the statement of net assets. This change in accounting principle had no effect on the July 1, 2004 net assets. This change did result, however, in the Authority reducing its July 1, 2004 total assets and total liabilities by \$4,849,429,298. Furthermore, this change resulted in a decrease in cash and cash equivalents as previously reported of \$19,280,924, as reflected in the statements of cash flows. The Authority believes this change provides more useful information to the readers of these statements.

Also during 2005, Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, by retroactively restating prior year's financial statements. This new standard revises the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Adoption of GASBS 40 had no effect on the net assets and change in net assets in the prior or current year.

Note 2: Cash, Cash Equivalents and Investments

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The Authority's cash deposits are insured up to \$100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are uninsured.

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Investments

The Authority has a policy that governs the investment of funds held as part of the Authority's General Fund that parallels Indiana statutes. Under the policy, the Authority may invest in fixed income investments and money market funds. Funds held by trustees for the Authority's bond issues are invested in accordance with the terms of the trust indenture for the particular issue.

The Authority's cash and investments at June 30, 2005, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 218,636	\$ 218,636
U. S. Government agency obligations	5,624,532	5,624,532
Guaranteed investment contracts	<u>56,345,741</u>	<u>56,345,741</u>
Total cash and investments	<u>\$ 62,188,909</u>	<u>\$ 62,188,909</u>

The Authority's cash and investments at June 30, 2004, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 19,281,924	\$ 19,281,924
U. S. Government agency obligations	5,850,534	5,850,534
Guaranteed investment contracts	<u>57,731,528</u>	<u>57,731,528</u>
Total cash and investments	<u>\$ 82,863,986</u>	<u>\$ 82,863,986</u>

As of June 30, 2005 and 2004, the Authority's total demand deposits and savings accounts amounted to \$218,636 and \$313,956, while the bank balances were \$219,726 and \$319,234, respectively. For each year, \$100,000 of the bank balance was insured by the Federal Deposit Insurance Corporation. The remaining balances of \$119,726 and \$219,234 at June 30, 2005 and 2004, respectively, were uninsured and uncollateralized. The other amounts classified as restricted cash and cash equivalents at June 30, 2004, represent amounts on deposit with trustees for repayment of conduit debt in future periods.

Of the Authority's total cash and investments, \$56,345,741 and \$57,731,528 were required to be held in trust for repayment of debt at June 30, 2005 and 2004, respectively.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority's investment policy for interest rate risk requires compliance with the provisions of Indiana Statutes. As of June 30, 2005, all of the Authority's investments had a maturity of less than one year.

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. That Authority's investment policy for credit risk requires compliance with the provisions of Indiana Statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in securities that are rated AAA by Standard and Poor's (S&P) or Aaa by Moody's Investor's Service. The following table provides information on the credit ratings associated with the Authority's investments at June 30, 2005:

Rating Agency	S&P	Moody's	Fair Value	
			2005	2004
Guaranteed investment contracts	Unrated	Aaa	\$ 56,345,741	\$ 57,731,528
U. S. Government agency obligations	AAA	Aaa	<u>5,624,532</u>	<u>5,850,534</u>
Total rated investments			<u>\$ 61,970,273</u>	<u>\$ 63,582,062</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2005 and 2004, all of the Authority's investments in guaranteed investment contracts and U. S. Government agency obligations were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in other than the Authority's name. The Authority's investment policy does not address how investment securities are to be held.

Concentration of Credit Risk

The Authority's investment policy does not address limits on the amount that may be invested in any one issuer. The following investments held by the Authority are not explicitly guaranteed by the U. S. Government and are subject to concentration of credit risk:

Issuer	2005	2004
Ixis Funding Corp. Guaranteed Investment Contract	\$ 56,345,741	\$ 57,731,528
Federal National Mortgage Association	<u>5,624,532</u>	<u>5,850,534</u>
	<u>\$ 61,970,273</u>	<u>\$ 63,582,062</u>

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Foreign Currency Risk

Foreign currency risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

Note 3: Conduit Debt Obligations

The Authority has issued debt obligations on behalf of certain health facilities for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute debt or liability of the Authority, the State of Indiana, or any political subdivisions thereof, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The number of issues and principal amount outstanding at June 30, 2005 are as follows:

	Number of Outstanding Bond Issues	Principal Amount Outstanding
Revenue bonds payable	123	\$ 5,408,580,000

The Authority issued \$728,540,000 in designated-issue loans to health facilities during the year ended June 30, 2005.

Note 4: Outstanding Debt

The Authority has the following debt outstanding at June 30, 2005 and 2004:

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2005 (000's)	2004 (000's)
1985A Revenue Bonds	2016	Adjustable	\$ 92,400	\$ 92,400
Fort Wayne Regional Blood Service and Allen - Wells Chapter of the American Red Cross, Series 1988	2002 - 2017	Variable	—	2,068
Capital Access Designated Pool Programs				
Series 1991	2001 - 2006	Variable	—	1,500
Series 1997	2002 - 2012	Variable	—	1,900
Series 1998	2002 - 2013	Variable	—	4,000
Series 2000	2002 - 2020	Variable	—	12,200
Series 2000B	2002 - 2016	Variable	—	6,330
Series 2002A	2003 - 2012	Variable	—	8,210
Community Mental Health and Rehab Facilities Designated Pool Program, Series 1990	2001 - 2020	Variable	—	2,040
Rehabilitation Hospital of Indiana, Inc., Series 1990	2001 - 2020	Variable	—	17,500

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2005 (000's)	2004 (000's)
(continued)				
Crossroads Rehabilitation Center, Series 1991	2002 - 2009	Variable	\$ —	\$ 755
Community Hospitals of Indiana, Series 1992	2001 - 2022	6.25 - 6.85%	—	18,930
Deaconess Hospital, Inc., Series 1992	2002 - 2022	Variable	—	18,500
Community Hospitals, Series 1992	2006 - 2012	6.40%	—	34,300
Marion General Hospital, Series 1992	2001 - 2007	5.70 - 5.80%	—	4,695
Deaconess Hospital, Inc., Series 1993	2002 - 2015	5.20 - 5.75%	—	29,720
Riverview Hospital, Series 1993	2001 - 2017	6.60 - 6.875%	—	10,000
Community Hospital of Anderson, Series 1993	2002 - 2023	5.30 - 6.00%	—	21,555
Columbus Regional Hospital, Series 1993	2001 - 2022	5.00 - 5.85%	—	23,440
Union Hospital, Series 1993	2001 - 2023	4.60 - 5.25%	—	33,360
Marion General Hospital, Series 1995	2008 - 2025	6.00 - 6.10%	—	16,180
Community Hospitals Projects, Series 1995	2002 - 2022	4.90 - 5.70%	—	54,095
Lutherwood Project Series 1995	2001 - 2010	Variable	—	2,100
The Methodist Hospitals, Inc., Series 1996	2016	6.00%	—	15,000
Hancock Memorial Hospital, Series 1996	2001 - 2017	5.625 - 6.125%	—	15,765
Cardinal Center, Inc., Series 1996A	2002 - 2016	Variable	—	820
Pathfinder Services, Inc., Series 1996	2019	Variable	—	2,065
Clarian Health Partners, Inc., Series 1996A, B, and C	2002 - 2026	4.90 - 6.00% and Variable	—	291,635
Community Village, Series 1997A and B	2003 - 2027	5.40 - 6.375% and Variable	—	25,835
King's Daughters Hospital, Series 1997A	2001 - 2027	4.75 - 5.625%	—	17,150
Community Hospitals Project, Series 1997	2020 - 2027	Variable	—	30,000
Sisters of St. Francis Health Services, Inc., Series 1997A	2001 - 2027	5.00 - 5.75%	—	149,450
Janus Development Services, Inc., Series 1997	2002 - 2013	Variable	—	740
Jackson County Schneck Memorial Hospital, Series 1998	2002 - 2022	4.45 - 5.25%	—	22,805
Mary Sherman Memorial Hospital, Series 1998	2002 - 2019	Variable	—	9,415
Floyd Memorial Hospital, Series 1998	2002 - 2022	4.50 - 5.40%	—	18,095
Fayette Memorial Hospital, Series 1998	2002 - 2003	Variable	—	558
Holy Cross, Series 1998	2001 - 2028	4.50 - 5.375%	—	77,470
Greenwood Village South Project, Series 1998	2002 - 2028	5.00 - 5.625%	—	13,820
Daviess County Hospital Project, Series 1998	2002 - 2018	4.20 - 5.10%	—	5,280
Hamilton Communities Project, Series 1998	2010 and 2030	6.00 - 6.50%	—	21,000
Metro Health/Indiana Project, Series 1998	2001 - 2033	6.30 - 6.40%	—	36,885
Marquette Manor Project, Series 1998	2001 - 2018	4.125 - 5.00%	—	10,795
Franciscan Eldercare and Community Services, Series 1998	2002 - 2029	5.00 - 5.875%	—	14,015
St. Francis Health Services, Series 1999A	2001 - 2029	4.00 - 5.25%	—	142,210
Riverview Hospital Project, Series 1999	2001 - 2024	4.30 - 5.50%	—	10,365
Deaconess Hospital Obligated Group, Series 1999A	2002 - 2029	4.25 - 5.57%	—	24,165
Deaconess Hospital Obligated Group, Series 1999B	2019	Variable	—	15,800
Hoosier Care Project, Series 1999A	2034	7.125%	—	21,695

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2005 (000's)	2004 (000's)
(continued)				
Hoosier Care Project, Series 1999B	2019	10.50%	\$ —	\$ 925
Charity Obligated Group, Series 1999D	2001 - 2024	4.38 - 5.50%	—	34,430
Daviess Community Hospital Project, Series 1999	2002 - 2029	4.90 - 6.125%	—	12,345
Ascension Health Credit Group, Series 1999B	2033 - 2039	Variable	—	105,300
St. Francis Health Services, Series 2000A	2001 - 2030	Variable	—	100,075
Anthony Wayne Rehab Center	2002 - 2031	Variable	—	3,940
Baptist Homes of Indiana	2002 - 2030	Variable	—	28,760
Bethesda Living Centers	2003 - 2031	Variable	—	5,075
Clarian Health Obligated Group Series 2000A	2002 - 2030	4.75 - 5.50%	—	148,755
Clarian Health Obligated Group Series 2000B	2002 - 2030	Variable	—	94,900
Clarian Health Obligated Group Series 2000C	2002 - 2030	Variable	—	94,900
Community Hospital Project Series 2000A&B	2002 - 2028	Adjustable	—	39,600
Greencroft Obligated Group Series 2000	2002 - 2030	Variable	—	12,325
Greenwood Village South Project	2031	7.40%	—	2,305
Southern IN Rehabilitation Hospital	2001 - 2020	Adjustable	—	6,050
Ascension Health Series 2001A	2036	Adjustable	—	400,800
Clark Memorial Hospital Series 2001	2021	Variable	—	18,740
Community Foundation of Northwest Indiana Series 2001A	2005 - 2031	5.50 - 6.375%	—	120,885
Community Foundation of Northwest Indiana Series 2001B	2025	Adjustable	—	24,775
Franciscan Eldercare Services, Inc. Series 2001A	2007 - 2032	5.60 - 6.75%	—	10,250
Franciscan Eldercare Services, Inc. Series 2001B	2032	Variable	—	22,885
Sisters of St. Francis Health Services, Inc. Series 2001	2002 - 2031	4.125 - 5.75%	—	72,910
The Methodist Hospitals, Inc. Series 2001	2002 - 2031	4.00 - 5.50%	—	72,115
Parkview Health System Obligated Group Series A, B and C	2004 - 2031	Adjustable	—	215,625
Fayette Memorial Hospital Project Series 2002A	2005 - 2032	Variable	—	13,980
Golden Years Homestead, Inc. Series 2002A	2012 - 2025	Adjustable	—	11,500
Golden Years Homestead, Inc. Series 2002B	2012	Adjustable	—	1,550
Henry County Memorial Hospital Series 2002	2003 - 2022	Adjustable	—	19,035
Marion General Hospital Project Series 2002	2008 - 2032	4.00 - 5.625%	—	29,690
Riverview Hospital Project Series 2002	2024 - 2031	6.00 - 6.125%	—	20,000
Union Hospital Series 2002	2003 - 2027	Variable	—	15,615
Fayette Memorial Hospital Association, Inc. Series 2002B	2003 - 2022	Variable	—	11,795
United Church Homes	2003 - 2027	Adjustable	—	3,940
Ascension Health Credit Group Series 2002E	2003 - 2032	Variable	—	36,375
Ascension Health Credit Group Series 2002F	2003 - 2025	4.00 - 5.50%	—	97,435
Grandview Care, Inc.	2023	Adjustable	—	4,000
Ascension Health Credit Group Series 2003E1-8	2015 - 2036	Variable	—	498,475
Franciscan Communities, Inc. Series 2003A	2004 - 2024	4.00 - 6.40%	—	11,355
Franciscan Communities, Inc. Series 2003B	2028	Adjustable	—	4,335

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Bond/Note	Maturity Dates	Interest Rates	Principal Balance	
			2005 (000's)	2004 (000's)
(continued)				
Clarian Health Obligated Group Series 2003A, B, C and D	2007 - 2033	Variable	\$ —	\$ 180,000
Clarian Health Obligated Group Series 2003E, F and G	2007 - 2033	Variable	—	225,000
Clarian Health Obligated Group Series 2003H	2007 - 2033	Variable	—	47,500
Clarian Health Obligated Group Series 2003I	2007 - 2033	Variable	—	47,500
Columbus Regional Hospital Project Series 2003	2004 - 2022	Auction	—	61,000
Dunn Memorial Hospital Project Series 2003	2004 - 2023	Adjustable	—	8,365
Major Hospital Project Series 2003	2004 - 2025	Adjustable	—	34,260
Sisters of St. Francis Health Services Series 2003A, B, C, and D	2007 - 2031	Auction	—	180,000
Floyd Memorial Hospital and Health Services, Series 2003A	2005 - 2034	Variable	—	36,475
Floyd Memorial Hospital and Health Services, Series 2003B	2005 - 2034	Variable	—	36,450
Community Foundation of Northwest Indiana, Series 2004A	2008 - 2034	3.50 - 6.00%	—	60,000
Deaconess Hospital Obligated Group Series 2004A	2020 - 2034	5.00 - 5.38%	—	54,765
Deaconess Hospital Obligated Group Series 2004B	2010 - 2029	Adjustable	—	25,000
Margaret Mary Community Hospital Series 2004A	2005 - 2029	Variable	—	22,000
Clark Memorial Hospital Project Series 2004A	2005 - 2024	Variable	—	9,500
Clark Memorial Hospital Project Series 2004B	2005 - 2024	Variable	—	5,500
Memorial Hospital Project Series 2004A	2005 - 2024	Variable	—	21,880
Equipment Notes				
Clarian Health Partners, Inc.	2001 - 2007	7.40%	—	4,812
Community Hospitals of Indiana, Inc.	2000 - 2005	7.40%	—	865
Community Hospitals of Indiana, Inc.	2000 - 2005	7.40%	—	225
Community Hospitals of Indiana, Inc.	2004 - 2009	3.56%	—	9,244
Direct Purchase Bond Program				
Cummins Mental Health Association	2019	Variable	—	844
Geminus	2014	4.75%	—	2,628
Southlake Community Health Center		4.75%	—	1,190
Southwestern Indiana Mental Health Foundation	2019	6.07%	—	2,123
Total debt outstanding			\$ <u>92,400</u>	\$ <u>4,913,487</u>

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

The Authority granted \$16,640,228 and \$0 from the 1985A bond issue pool during 2005 and 2004, respectively.

The interest rate on the 1985A revenue bonds is adjustable weekly and is determined by the bond remarketing agent. During fiscal year 2005, the rate ranged from 1.02% to 3.02% and was 2.30% at June 30, 2005. During fiscal year 2004, the rate ranged from 0.70% to 1.11% and was 1.05% at June 30, 2004. Upon election by the Authority and the satisfaction of certain conditions, the 1985A revenue bonds may be converted to a fixed interest rate.

Prior to conversion to a fixed interest rate, registered 1985A bondholders may demand purchase of the bonds at a price equal to principal plus accrued interest. The Authority has entered into an agreement with a bond remarketing agent to arrange for the sale of the bonds which are tendered for purchase prior to maturity. However, if such bonds cannot be remarketed, the Authority has entered into a standby purchase agreement with a bank to purchase the bonds. Any bonds purchased by the bank would bear interest at the bank's prime rate and be due at the same maturity dates. The term of the standby purchase agreement extends until the earlier of the fixed rate conversion date or December 20, 2009, provided certain events of default as specified in the agreement do not occur. As of June 30, 2005 and 2004, none of these events of default had occurred and no bonds had been tendered for purchase. Certain fees to maintain the remarketing and standby purchase agreements are also required to be paid.

Debt service requirements to maturity are as follows:

	Principal	Interest
2006	\$ —	\$ 2,125,200
2007	—	2,125,200
2008	—	2,125,200
2009	—	2,125,200
2010	—	2,125,200
2011 - 2015	—	10,626,000
2016	<u>92,400,000</u>	<u>885,500</u>
	<u>\$ 92,400,000</u>	<u>\$ 22,137,500</u>

The future interest requirements for variable rate bonds are based on interest rates in effect at June 30, 2005.

Indiana Health and Educational Facility Financing Authority

Notes to Financial Statements

June 30, 2005 and 2004

Note 5: Commitments

The Authority has also entered into various agreements relating to the administration of the bond issues as follows:

Description	Annual Fee
Remarketing agreement fee for the remarketing of 1985A bonds tendered for purchase. The agreement extends essentially to the earliest of the fixed rate conversion date or the date of payment of the 1985A bonds.	.10% of the weighted term average 1985A bonds outstanding.
Standby purchase agreement fee for the purchase of tendered 1985A bonds not remarketed. Term of the agreement extends essentially to the earliest of the fixed rate conversion date or December 20, 2009.	25 basis points of the weighted-average 1985A bonds outstanding plus accrued interest for 46 days at 20%. Additional fees would also be due should 1985A bond ratings decline.
1985A bond insurance premium. Term of insurance policy extends to December 1, 2015.	.55% of the weighted-average 1985A bonds outstanding.

Note 6: Deferred Compensation

The Authority participates in the State of Indiana Public Employees' Deferred Compensation Plan (Plan) established in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees and employees of certain quasi-agencies and political subdivisions within the State, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of participants of the Plan and their beneficiaries as required by Section 457(g) of the Internal Revenue Code.

The State has established a deferred compensation committee that holds the fiduciary responsibility for the Plan. The committee holds the deferred amounts in a trust.

Note 7: Employee Benefits

The Authority has a defined-contribution profit-sharing plan. Contributions are at the discretion of the governing body of the Authority and are generally limited to the lesser of \$30,000 or 25% of each employee's total compensation. Employee benefit expense under this plan was \$20,117 and \$22,712 for fiscal years 2005 and 2004, respectively.

Supplementary Information

Indiana Health and Educational Facility Financing Authority
Schedule of Net Assets by Fund
June 30, 2005
(With Comparative Totals for 2004)

Assets

	General	1985A Bond Issue Fund	2005 Totals	2004 Totals
Current Assets				
Cash and cash equivalents	\$ 218,636	\$ —	\$ 218,636	\$ 313,956
Accrued administration fees	217,069	—	217,069	543,745
Restricted assets - current				
Cash and equivalents	—	—	—	19,280,924
Accrued interest receivable	—	19,042	19,042	17,674,965
Loans receivable	—	10,894,777	10,894,777	138,000,109
Prepaid expenses	—	250,369	250,369	250,369
Due from other funds	—	—	—	28,135
Total current assets	<u>435,705</u>	<u>11,164,188</u>	<u>11,599,893</u>	<u>176,092,203</u>
Noncurrent Assets				
Investments	5,624,532	—	5,624,532	5,850,534
Capital assets, net	13,313	4,438	17,751	12,612
Restricted assets - noncurrent				
Investments	—	56,345,741	56,345,741	57,731,528
Loans receivable	—	25,976,870	25,976,870	4,709,990,649
Total noncurrent assets	<u>5,637,845</u>	<u>82,327,049</u>	<u>87,964,894</u>	<u>4,773,585,323</u>
Total assets	<u>\$ 6,073,550</u>	<u>\$ 93,491,237</u>	<u>\$ 99,564,787</u>	<u>\$4,949,677,526</u>

Liabilities and Net Assets

Current Liabilities				
Accounts payable	\$ 38,421	\$ 59,863	\$ 98,284	\$ 91,257
Current Liabilities Payable From Restricted Assets				
Accrued interest payable	—	171,110	171,110	28,417,882
Current maturities of debt	—	—	—	137,486,966
Due to other funds	—	—	—	28,135
Total current liabilities payable from restricted assets	<u>—</u>	<u>171,110</u>	<u>171,110</u>	<u>165,932,983</u>
Long-Term Maturities of Debt	<u>—</u>	<u>92,400,000</u>	<u>92,400,000</u>	<u>4,776,000,511</u>
Total liabilities	<u>38,421</u>	<u>92,630,973</u>	<u>92,669,394</u>	<u>4,942,024,751</u>
Net Assets				
Invested in capital assets, net of related debt	13,313	4,438	17,751	12,612
Restricted for debt service	—	855,826	855,826	995,050
Unrestricted	<u>6,021,816</u>	<u>—</u>	<u>6,021,816</u>	<u>6,645,113</u>
Total net assets	<u>6,035,129</u>	<u>860,264</u>	<u>6,895,393</u>	<u>7,652,775</u>
Total liabilities and net assets	<u>\$ 6,073,550</u>	<u>\$ 93,491,237</u>	<u>\$ 99,564,787</u>	<u>\$4,949,677,526</u>

Indiana Health and Educational Facility Financing Authority
Schedule of Revenues and Expenses and Changes in
Net Assets by Fund
Year Ended June 30, 2005
(With Comparative Totals for 2004)

	General	1985A Bond Issue Fund	2005 Totals	2004 Totals
Operating Revenues				
Interest on loans	\$ —	\$ 1,098,006	\$ 1,098,006	\$ 126,215,019
Investment income	—	1,276,951	1,276,951	1,159,614
Administration fees	88,880	—	88,880	498,105
Miscellaneous income	<u>112,620</u>	<u>—</u>	<u>112,620</u>	<u>228,861</u>
Total operating revenues	<u>201,500</u>	<u>2,374,957</u>	<u>2,576,457</u>	<u>128,101,599</u>
Operating Expenses				
Wages	444,166	31,842	476,008	159,068
Payroll taxes and fringe benefits	49,717	6,681	56,398	45,629
Interest	—	1,639,437	1,639,437	126,345,591
Bond insurance	—	508,000	508,000	508,000
Bond and investment administration	108,110	258,829	366,939	372,640
Legal fees	102,670	22,398	125,068	251,760
Accounting and auditing fees	27,061	6,480	33,541	35,609
Consulting fees	4,900	2,100	7,000	7,105
Education and conferences	21,238	5,384	26,622	32,394
Office administration and supplies	67,221	18,102	85,323	76,950
Rent	48,705	10,627	59,332	83,988
Professional fees	1,741	321	2,062	2,200
Depreciation	<u>4,280</u>	<u>1,427</u>	<u>5,707</u>	<u>16,559</u>
Total operating expenses	<u>879,809</u>	<u>2,511,628</u>	<u>3,391,437</u>	<u>127,937,493</u>
Operating Income (Loss)	(678,309)	(136,671)	(814,980)	164,106
Nonoperating Revenues				
Investment income	<u>57,598</u>	<u>—</u>	<u>57,598</u>	<u>53,656</u>
Change in Net Assets	(620,711)	(136,671)	(757,382)	217,762
Net Assets, Beginning of Year	<u>6,655,840</u>	<u>996,935</u>	<u>7,652,775</u>	<u>7,435,013</u>
Net Assets, End of Year	<u>\$ 6,035,129</u>	<u>\$ 860,264</u>	<u>\$ 6,895,393</u>	<u>\$ 7,652,775</u>

Indiana Health and Educational Facility Financing Authority

Schedule of 1985A Revenue Bond Issue Fund

Asset Balances and Activity

June 30, 2005

(With Comparative Totals for 2004)

	Assets Held by Authority		Assets Held by Trustee			2005 Total	2004 Total
	Revenue Fund		Revenue Fund	Bond Proceeds Loan Fund	Debt Service Reserve Fund		
Investments	\$ —	\$	673,375	\$ 40,632,904	\$ 15,039,462	\$ 56,345,741	\$ 57,731,528
Accrued interest receivable	—		19,042	—	—	19,042	25,213
Loans receivable	—		—	36,871,647	—	36,871,647	35,492,136
Prepaid expenses	—		250,369	—	—	250,369	250,369
Capital assets, net	4,438		—	—	—	4,438	1,885
Total	\$ 4,438	\$	942,786	\$ 77,504,551	\$ 15,039,462	\$ 93,491,237	\$ 93,501,131

Indiana Health and Educational Facility Financing Authority

Schedule of 1985A Revenue Bond Issue Fund Activity

Year Ended June 30, 2005

(With Comparative Totals for 2004)

	Assets Held by Authority		Assets Held by Trustee				2005 Total	2004 Total
	Revenue Fund		Revenue Fund	Bond Proceeds Loan Fund	Debt Service Reserve Fund			
Revenues								
Interest on loans	\$ —	\$ 1,098,006	\$ —	\$ —	\$ —	\$ 1,098,006	\$ 782,783	
Investment income	—	23,707	—	907,989	345,255	1,276,951	1,159,614	
Total revenues	—	1,121,713	—	907,989	345,255	2,374,957	1,942,397	
Expenses								
Interest	—	1,639,437	—	—	—	1,639,437	913,355	
Other expenses	—	872,191	—	—	—	872,191	1,001,510	
Total expenses	—	2,511,628	—	—	—	2,511,628	1,914,865	
Excess (deficit) of revenues over expenses	—	(1,389,915)	—	907,989	345,255	(136,671)	27,532	
Other Significant Activity Affecting Asset Balances								
Increase (decrease) in accounts payable and other accrued expenses	—	59,863	—	—	—	59,863	(55,570)	
Decrease in interfund payable	—	(66,914)	—	—	—	(66,914)	(1,711)	
Intrafund Transfers, Net	2,553	1,291,834	—	(841,196)	(319,363)	133,828	—	
Assets, Beginning of Year	1,885	1,047,918	—	77,437,758	15,013,570	93,501,131	93,530,880	
Assets, End of Year	4,438	942,786	—	77,504,551	15,039,462	93,491,237	93,501,131	

Indiana Health and Educational Facility Financing Authority

Schedule of Conduit Debt

June 30, 2005

(Dollar Amounts in Thousands)

The following revenue bonds of the Authority are collateralized by either or both of a pledge of the revenues of the borrowing institution or by first mortgages of on the physical property financed with the proceeds of the debt offerings and by the Authority's assignment of its interest in the mortgaged properties to the trustees of the bond issues at June 30, 2005:

Bond/Note	Maturity Dates	Interest Rates	Principal Balance 2005
Fort Wayne Regional Blood Service and Allen - Wells Chapter of the American Red Cross, Series 1988	2002 - 2017	Variable	\$ 1,953
Capital Access Designated Pool Programs			
Series 1991	2001 - 2006	Variable	1,000
Series 1997	2002 - 2007	Variable	1,200
Series 1998	2002 - 2008	Variable	800
Series 2000	2002 - 2020	Variable	7,800
Series 2002A	2003 - 2012	Variable	7,305
Rehabilitation Hospital of Indiana, Inc., Series 1990	2001 - 2020	Variable	17,000
Crossroads Rehabilitation Center, Series 1991	2002 - 2009	Variable	615
Community Hospitals of Indiana, Series 1992	2001 - 2022	6.25 - 6.85%	18,020
Deaconess Hospital, Inc., Series 1992	2002 - 2022	Variable	18,000
Community Hospitals, Series 1992	2006 - 2012	6.40%	34,300
Deaconess Hospital, Inc., Series 1993	2002 - 2015	5.20 - 5.75%	25,890
Riverview Hospital, Series 1993	2001 - 2017	6.60 - 6.875%	9,555
Community Hospital of Anderson, Series 1993	2002 - 2023	5.30 - 6.00%	20,895
Columbus Regional Hospital, Series 1993	2001 - 2022	5.00 - 5.85%	23,440
Union Hospital, Series 1993	2001 - 2023	4.60 - 5.25%	32,280
Marion General Hospital, Series 1995	2008 - 2025	6.00 - 6.10%	16,180
Community Hospitals Projects, Series 1995	2002 - 2022	4.90 - 5.70%	49,880
The Methodist Hospitals, Inc., Series 1996	2016	6.00%	15,000
Hancock Memorial Hospital, Series 1996	2001 - 2017	5.625 - 6.125%	14,950
Cardinal Center, Inc., Series 1996A	2002 - 2016	Variable	685
Pathfinder Services, Inc., Series 1996	2019	Variable	1,965
Clarian Health Partners, Inc., Series 1996A, B, and C	2002 - 2026	4.90 - 6.00% and Variable	284,680
Community Village, Series 1997A and B	2003 - 2027	5.40 - 6.375% and Variable	25,225
King's Daughters Hospital, Series 1997A	2001 - 2027	4.75 - 5.625%	16,430
Community Hospitals Project, Series 1997	2020 - 2027	Variable	30,000
Sisters of St. Francis Health Services, Inc., Series 1997A	2001 - 2027	5.00 - 5.75%	145,730
Janus Development Services, Inc., Series 1997	2002 - 2013	Variable	680
Jackson County Schneck Memorial Hospital, Series 1998	2002 - 2022	4.45 - 5.25%	21,990

Indiana Health and Educational Facility Financing Authority
Schedule of Conduit Debt (Continued)
June 30, 2005
(Dollar Amounts in Thousands)

Bond/Note	Maturity Dates	Interest Rates	Principal Balance 2005
(continued)			
Mary Sherman Memorial Hospital, Series 1998	2002 - 2019	Variable	\$ 8,980
Floyd Memorial Hospital, Series 1998	2002 - 2022	4.50 - 5.40%	17,450
Fayette Memorial Hospital, Series 1998	2002 - 2003	Variable	525
Holy Cross, Series 1998	2001 - 2028	4.50 - 5.375%	73,310
Greenwood Village South Project, Series 1998	2002 - 2028	5.00 - 5.625%	13,530
Daviess County Hospital Project, Series 1998	2002 - 2018	4.20 - 5.10%	5,280
Hamilton Communities Project, Series 1998	2010 and 2030	6.00 - 6.50%	21,000
Marquette Manor Project, Series 1998	2001 - 2018	4.125 - 5.00%	10,260
Franciscan Eldercare and Community Services, Series 1998	2002 - 2029	5.00 - 5.875%	13,745
St. Francis Health Services, Series 1999A	2001 - 2029	4.00 - 5.25%	139,410
Riverview Hospital Project, Series 1999	2001 - 2024	4.30 - 5.50%	10,075
Deaconess Hospital Obligated Group, Series 1999A	2002 - 2029	4.25 - 5.57%	23,680
Deaconess Hospital Obligated Group, Series 1999B	2019	Variable	15,100
Hoosier Care Project, Series 1999A	2034	7.125%	21,490
Hoosier Care Project, Series 1999B	2019	10.50%	900
Charity Obligated Group, Series 1999D	2001 - 2012	4.38 - 5.75%	31,295
Daviess Community Hospital Project, Series 1999	2002 - 2029	4.90 - 6.125%	12,265
Ascension Health Credit Group, Series 1999B	2033 - 2039	Variable	105,300
St. Francis Health Services, Series 2000A	2001 - 2030	Variable	98,275
Anthony Wayne Rehab Center	2002 - 2031	Variable	3,795
Baptist Homes of Indiana	2002 - 2030	Variable	28,235
Bethesda Living Centers	2003 - 2031	Variable	4,995
Clarian Health Obligated Group Series 2000A	2002 - 2030	4.75 - 5.50%	147,710
Clarian Health Obligated Group Series 2000B	2002 - 2030	Variable	93,000
Clarian Health Obligated Group Series 2000C	2002 - 2030	Variable	93,000
Community Hospital Project Series 2000A&B	2002 - 2028	Adjustable	39,400
Greencroft Obligated Group Series 2000	2002 - 2030	Variable	12,200
Greenwood Village South Project	2031	7.40%	2,305
Southern IN Rehabilitation Hospital	2001 - 2020	Adjustable	5,655
Ascension Health Series 2001A	2036	Adjustable	400,800
Clark Memorial Hospital Series 2001	2021	Variable	18,095
Community Foundation of Northwest Indiana Series 2001A	2005 - 2031	5.50 - 6.375%	120,885
Community Foundation of Northwest Indiana Series 2001B	2025	Adjustable	24,475

Indiana Health and Educational Facility Financing Authority
Schedule of Conduit Debt (Continued)
June 30, 2005
(Dollar Amounts in Thousands)

Bond/Note	Maturity Dates	Interest Rates	Principal Balance 2005
(continued)			
Franciscan Eldercare Services, Inc. Series 2001A	2007 - 2032	5.60 - 6.75%	\$ 10,250
Franciscan Eldercare Services, Inc. Series 2001B	2032	Variable	19,135
Sisters of St. Francis Health Services, Inc. Series 2001	2002 - 2031	4.125 - 5.75%	71,710
The Methodist Hospitals, Inc. Series 2001	2002 - 2031	4.00 - 5.50%	69,850
Parkview Health System Obligated Group Series A, B and C	2004 - 2031	Adjustable	211,075
Fayette Memorial Hospital Project Series 2002A	2005 - 2032	Variable	13,980
Golden Years Homestead, Inc. Series 2002A	2012 - 2025	Adjustable	11,500
Golden Years Homestead, Inc. Series 2002B	2012	Adjustable	1,250
Henry County Memorial Hospital Series 2002	2003 - 2022	Adjustable	18,350
Marion General Hospital Project Series 2002	2008 - 2032	4.00 - 5.625%	29,690
Riverview Hospital Project Series 2002	2024 - 2031	6.00 - 6.125%	20,000
Union Hospital Series 2002	2003 - 2027	Variable	15,215
Fayette Memorial Hospital Association, Inc. Series 2002B	2003 - 2022	Variable	11,390
United Church Homes	2003 - 2027	Adjustable	3,100
Ascension Health Credit Group Series 2002E	2003 - 2032	Variable	35,650
Ascension Health Credit Group Series 2002F	2003 - 2025	4.00 - 5.50%	93,910
Grandview Care, Inc.	2023	Adjustable	3,850
Ascension Health Credit Group Series 2003E1-8	2015 - 2036	Variable	498,475
Franciscan Communities, Inc. Series 2003A	2004 - 2024	4.00 - 6.40%	11,025
Franciscan Communities, Inc. Series 2003B	2028	Adjustable	4,335
Clarian Health Obligated Group Series 2003A, B, C and D	2007 - 2033	Variable	180,000
Clarian Health Obligated Group Series 2003E, F and G	2007 - 2033	Variable	225,000
Clarian Health Obligated Group Series 2003H	2007 - 2033	Variable	47,500
Clarian Health Obligated Group Series 2003I	2007 - 2033	Variable	47,500
Columbus Regional Hospital Project Series 2003	2004 - 2022	Auction	58,200
Dunn Memorial Hospital Project Series 2003	2004 - 2023	Adjustable	8,105
Major Hospital Project Series 2003	2004 - 2025	Adjustable	33,235
Sisters of St. Francis Health Services Series 2003A, B, C, and D	2007 - 2033	Auction	180,000
Floyd Memorial Hospital and Health Services, Series 2003A	2005 - 2034	Variable	35,675
Floyd Memorial Hospital and Health Services, Series 2003B	2005 - 2034	Variable	35,675
Community Foundation of Northwest Indiana, Series 2004A	2008 - 2034	3.50 - 6.00%	60,000
Deaconess Hospital Obligated Group Series 2004A	2020 - 2034	5.00 - 5.38%	54,765

Indiana Health and Educational Facility Financing Authority
Schedule of Conduit Debt (Continued)
June 30, 2005
(Dollar Amounts in Thousands)

Bond/Note	Maturity Dates	Interest Rates	Principal Balance 2005
(continued)			
Deaconess Hospital Obligated Group Series 2004B	2010 - 2029	Adjustable	\$ 25,000
Margaret Mary Community Hospital Series 2004A	2005 - 2029	Variable	22,000
Clark Memorial Hospital Project Series 2004A	2005 - 2024	Variable	9,500
Clark Memorial Hospital Project Series 2004B	2005 - 2024	Variable	5,500
Memorial Hospital Project Series 2004A	2005 - 2024	Variable	21,195
Community Health Network Project Series 2005A	2008 - 2035	4.50 - 5.00%	152,820
Community Health Network Project Series 2005B & C	2008 - 2035	Adjustable	37,500
Riverview Hospital Project Series 2004	2022 - 2032	Adjustable	20,600
Golden Years and Great Lakes Christian Homes Series 2004	2005 - 2024	Adjustable	1,235
Riverview Hospital Project Series 2005	2005 - 2017	2.50 - 4.50%	9,300
Ascension Health Subordinate Series 2005A	2007 - 2011	5.0%	450,180
Porter Memorial Hospital Series 2005A	2006 - 2019	Variable	27,355
Porter Memorial Hospital Series 2005B	2006 - 2019	Variable	6,625
Westview Hospital Project Series 2004	2005 - 2019	Variable	14,420
Crossroads Rehabilitation Center, Inc. Project 2004	2005 - 2019	Variable	2,600
Stone Belt ARC, Inc. Series 2005	2006	Variable	3,200
Equipment Notes			
Clarian Health Partners, Inc.	2001 - 2007	7.40%	3,033
Community Hospitals of Indiana, Inc.	2000 - 2005	7.40%	487
Community Hospitals of Indiana, Inc.	2000 - 2005	7.40%	124
Community Hospitals of Indiana, Inc.	2004 - 2009	3.56%	7,354
Direct Purchase Bond Program			
Cummins Mental Health Association	2019	Variable	803
Geminus	2014	4.75%	2,574
Southlake Community Health Center	2015	4.75%	1,149
Southwestern Indiana Mental Health Foundation	2019	6.07%	2,123
Abilities Services	2016	%	600
New Hope Services, Inc.	2015	%	1,500
Hilcroft Health Center	2020	%	<u>540</u>
Total debt outstanding			\$ <u>5,408,580</u>